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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 000862

SIPDIS

DEPT FOR WHA/BSC, WHA/EPSC, EB/TPP  
PASS TO USTR FOR PALLGEIER, RWILSON, KLEZNY, RSMITH, SCRININ  
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TAGS: [ETRD](#) [BR](#) [FTAA](#)

SUBJECT: FTAA: INITIAL BUENOS AIRES FALLOUT IN BRASILIA

REF: BUENOS AIRES 1009

Classified By: ECONOFF JANICE FAIR FOR REASONS 1.4 (b) AND (d)

1. (U) Summary. Following the informal FTAA discussions in Buenos Aires March 31-April 1, which ended without agreement (reftel), Brazilian Foreign Ministry (Itamaraty) officials launched an aggressive media campaign to get the word out that U.S. intransigence was to blame for the impasse. Foreign Minister Amorim was widely quoted, claiming a U.S. pullback from the compromise achieved in the FTAA Ministerial in Miami last November. Although the level of public outrage was lower than that following the Trinidad & Tobago TNC meeting last year, the private sector and other ministries have apparently communicated to Itamaraty their consternation regarding its negotiating posture. Despite headlines heralding an end to the FTAA, high-level officials from the Ministry of Development, Industry and Trade (MDIC) informed Ambassador that the GoB has not abandoned the FTAA negotiations and is formulating new proposals, including improved market access offers. End Summary.

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Blame Game  
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2. (U) Immediately following adjournment of the informal FTAA discussions in Buenos Aires, Itamaraty launched a media blitz to assign blame for the impasse that prevented progress in negotiating a common set of rights and obligations under the new FTAA framework. U.S., and to a lesser extent Canadian, intransigence was identified as the main culprit. In interviews and in discussions with members of Brazil's Congress, Foreign Minister Amorim accused the U.S. of trying to reopen the Miami Ministerial compromise, most probably in reference to a proposal to allow for additional provisions in the common set in the future. He reiterated Brazilian claims that the U.S. is unwillingly to provide real market access for Brazilian agricultural products, specifically in addressing domestic support and export subsidies, while it is trying to reintroduce new rules in Brazil's sensitive areas of services, investment, IPR and government procurement. As in the past, Amorim argued for moving on from the "philosophical" discussion on rules and instead beginning market access negotiations; he reaffirmed that Brazil will not negotiate services market access in any format other than bilateral. On April 7 and 8, there was widespread reporting on the contents of a letter Minister Amorim sent to USTR Zoellick on April 5, outlining GoB concerns with U.S. positions within the common set negotiations.

3. (U) Similar commentary was attributed to Regis Arslanian and Tovar da Silva Nunes, Director General of Itamaraty's Trade Negotiations Department, and Head of its FTAA Division, respectively. In addition to bemoaning the lack of U.S. flexibility, Nunes asserted to journalists that the outcome of the Buenos Aires talks had prompted Itamaraty to shift its trade policy focus toward negotiation of agreements with some 30 developing countries, with the EU, and toward WTO trade talks. Negotiations with the EU were singled out as exemplifying a more collaborative process than the FTAA and a higher probability of success, a questionable assertion. Striking a more balanced tone, Amorim told Brazilian Deputies on April 6 that the GoB plans to focus more on the WTO negotiations, unwilling to concede anything within the regional FTAA or bi-regional EU agreements that would undermine Brazil's interests within the global trade talks.

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Not Everyone is On Board with Itamaraty  
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4. (U) Despite Itamaraty's best efforts, not everyone appeared to accept its characterization of the problems besetting the negotiations nor its supposed readjustment in policy focus. While less public than after the contentious Trade Negotiations Committee (TNC) meeting in Trinidad & Tobago last September, press reports cited divergent positions within the GoB, and private sector demands that Itamaraty demonstrate more flexibility in the FTAA negotiations. In addition, an "O Estado" editorial last

weekend refused to play the blame game and called for Itamaraty flexibility, pointing out how much Brazil stands to lose from failure of FTAA negotiations.

15. (C) MDIC's more forward leaning position on the FTAA was confirmed in informal discussions with Minister Furlan and staff during a dinner hosted by Ambassador April 7. DCM, Deputy Senior Commercial Officer and Econoff also attended. Mario Mugnaini, Executive Secretary of Camex, the GoB's formal decision-making body for trade policy, rejected assertions that the GoB does not want to negotiate the FTAA. However, he conceded that subsequent to the informal Buenos Aires talks, Itamaraty is being forced to moderate its positions. He was adamant that pressure from, among others, Minister Furlan would ensure a more pragmatic approach by Brazilian negotiators in the future, and argued that TNC Co-Chairs should meet soon to consider how to get the process moving again.

16. (C) Expressing optimism on an eventual successful outcome for the FTAA, Mugnaini pressed the Brazilian line that the current impasse on the common set language would more easily be overcome if market access negotiations could proceed immediately. At least part of Mugnaini's optimism seems to flow from his expectations of a positive response by the U.S. toward improved Mercosul market access offers in goods, services and investment, which he intimated would be unveiled soon. (Note, one press report admitted that Mercosul's initial goods market access offer was the "worst" of any FTAA delegation.) Ambassador insisted that Brazil must work seriously according to the directions from Ministers in Miami and negotiate the common set before market access talks could begin. Mugnaini made references to Itamaraty moving "in the right direction" regarding positions on common set issues, but provided no further detail. Articles the same day reported a lack of support within the Ministries of Development, Agriculture, and Finance, as well as within the private sector, for Itamaraty's insistence on including within the common set a mechanism to compensate for agricultural domestic support within the U.S. and Canada.

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Comment  
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17. (C) Recent events and statements would seem to confirm Itamaraty's lack of commitment toward the FTAA negotiations. That being said, there remain pro-FTAA forces within the Brazilian government and private sector that make it very difficult for Itamaraty to just walk away. There is plenty of room for continued mischief, however. The GoB will likely continue to press for four-plus-one market access talks to begin forthwith. Eventually, Itamaraty may present a reformulation of some of its positions within the common set talks, but these may not prove useful in bridging the gaps that currently exist between FTAA delegations. We suspect that representatives from other ministries and from the private sector who are pushing for more flexibility by Itamaraty, may not prove as effective checks on Itamaraty excesses as would be hoped, due to a less than full appreciation of the nuances within the common set text negotiations.

18. (C) Post recommends a continued neutral posture regarding blame for an inability to reach consensus on the common set elements so that domestic interests will have the space to make their own case for a change in GoB posture. However, reinforcement of the message that what we are seeking is a "balanced" common set would be helpful in keeping the focus on revising or eliminating the more problematic GoB positions.  
HRINAK